



Cap and Trade Design Principles and Key Elements for 2020–2030

Guiding Principles

- Ensure California meets its 2030 climate pollution reduction target in SB 32 in an equitable and efficient manner, and that emissions are on a trajectory to meet science-based 2050 targets
- Continue to grow California's national and international climate leadership and encourage cooperation with other jurisdictions
- Advance environmental justice by improving air in impacted communities and supporting vulnerable populations as they adapt and respond to a changing climate
- Incorporate lessons learned to refine the current cap and trade program

Key Elements

- Adjust banking rules to
 - Discourage speculation and avoid financial windfalls for entities without a compliance obligation
 - Ensure that banked allowances do not hamper achievement of the 2030 targets in SB 32 and our trajectory to meet 2050 goals
- Ensure that offsets that are required to provide environmental benefits to California are thoroughly vetted and assured of providing direct in-state benefits to our air, water, and natural resources in addition to real, permanent, verifiable, and additional greenhouse gas emission reductions
- Limit industrial assistance only to levels that are either required by statute or that have a clearly established scientific basis for how they will reduce and prevent emissions leakage
- Establish a ceiling price and price containment points at levels that will not impede the ability of the market to drive needed cost-effective measures to meet our 2030 target and 2050 goals
- Require polluters to internalize the full social costs of their pollution by adjusting the price floor trajectory to reach the social cost of carbon